

PANGUITCH CITY
FINANCIAL STATEMENTS
JUNE 30, 2005

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Richfield, Utah 84701

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Panguitch City
Panguitch, Utah 84759

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Panguitch City as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Panguitch City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Panguitch City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2005, on our consideration of Panguitch City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 18, 50 through 53 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and City Council
Panguitch City

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Panguitch City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of Panguitch City. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 9, 2005
Richfield, Utah

**PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2005**

This discussion of Panguitch City's financial performance provided an overview of the City's financial activities for the year ending June 30, 2005. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general services to its residents which includes general government, public safety, highways and public improvements, culture and recreation, landfill, and economic development.

Financial Highlights

- * The assets of Panguitch City exceeded its liabilities as of the close of the most recent year by \$5,590,946 (net assets). Of this amount, \$575,786 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$984,263. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- * At the close of the current year, the Panguitch City's governmental fund reported ending fund balance of \$151,713, a decrease of \$126,243 in comparison with the prior year. Approximately 57 percent of this total amount, \$87,405 is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$87,405, or 3 percent of total general fund expenditures.
- * The City's total debt decreased by \$148,005 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Panguitch City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Panguitch City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Both of the government-wide financial statements distinguish functions of Panguitch City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include general government, public safety, highways and public improvements, culture and recreation, and economic development.. The business-type activities of the City are water and sewer operations.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Panguitch City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* , as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities* .

Panguitch City maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered a major fund.

Panguitch City adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with that budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Proprietary Funds

Panguitch City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. A combining statement for these three funds is shown elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer funds which are considered to be a major funds of the City.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Panguitch City, assets exceeded liabilities by \$5,590,946 at the close of the most recent fiscal year. By far the largest portion of the City's net assets (87 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$575,786) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Governmental Activities

Governmental activities increased the City's net assets by \$948,512.

PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Panguitch City's Net Assets

	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and Other Assets	240,529	313,278	548,441	677,477	788,970	990,755
Capital Assets	<u>2,635,546</u>	<u>1,592,539</u>	<u>6,634,536</u>	<u>6,043,911</u>	<u>9,270,082</u>	<u>7,636,450</u>
Total Assets	<u>2,876,075</u>	<u>1,905,817</u>	<u>7,182,977</u>	<u>6,721,388</u>	<u>10,059,052</u>	<u>8,627,205</u>
Long-Term Liabilities	781,940	842,723	3,361,481	3,613,943	4,143,421	4,456,666
Other Liabilities	<u>142,581</u>	<u>35,322</u>	<u>182,104</u>	<u>103,220</u>	<u>324,685</u>	<u>138,542</u>
Total Liabilities	<u>924,521</u>	<u>878,045</u>	<u>3,543,585</u>	<u>3,717,163</u>	<u>4,468,106</u>	<u>4,595,208</u>
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	1,817,252	741,657	3,093,751	2,985,125	4,911,003	3,726,782
Restricted	64,308	27,663	39,849	24,000	104,157	51,663
Unrestricted	<u>69,994</u>	<u>233,722</u>	<u>505,792</u>	<u>594,516</u>	<u>575,786</u>	<u>828,238</u>
Total Net Assets	<u>1,951,554</u>	<u>1,003,042</u>	<u>3,639,392</u>	<u>3,603,641</u>	<u>5,590,946</u>	<u>4,606,683</u>

PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Panguitch City's Changes In Net Assets

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	256,212	261,770	519,141	507,277	775,353	769,047
Operating Grants	204,405	221,143			204,405	221,143
Capital Grants	1,153,475	-	8,538	617,000	617,000	617,000
General Revenues:						
Property Taxes	127,366	151,087	-	-	127,366	151,087
Other Taxes	404,570	330,106	-	-	404,570	330,106
Sale of Property	19,540				19,540	
Unrestricted Investment Earnings	<u>11,557</u>	<u>5,441</u>	<u>4,051</u>	<u>2,826</u>	<u>15,608</u>	<u>8,267</u>
Total Revenues	<u>2,177,125</u>	<u>969,547</u>	<u>531,730</u>	<u>1,127,103</u>	<u>2,163,842</u>	<u>2,096,650</u>
Expenses:						
General Government	200,068	171,817	-	-	200,068	171,817
Public Safety	200,215	195,914	-	-	200,215	195,914
Highways and Public Improvements	213,751	136,462	-	-	213,751	136,462
Culture and Recreation	416,309	391,440	-	-	416,309	391,440
Economic Dev. & Airport	154,013	207,892	-	-	154,013	207,892
Landfill	8,020	6,266			8,020	6,266
Interest on Long-Term Debt	36,237	40,672	117,033	150,594	153,270	191,266
Water, Sewer & Secondary	-	-	378,946	354,288	378,946	354,288
Total Expenses	<u>1,228,613</u>	<u>1,150,463</u>	<u>495,979</u>	<u>504,882</u>	<u>1,724,592</u>	<u>1,655,345</u>
Increase in Net Assets Before Transfers	<u>948,512</u>	<u>(180,916)</u>	<u>35,751</u>	<u>622,221</u>	<u>439,250</u>	<u>441,305</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in Net Assets	<u>948,512</u>	<u>(180,916)</u>	<u>35,751</u>	<u>622,221</u>	<u>984,263</u>	<u>441,305</u>
Net Assets - Beginning	<u>1,003,042</u>	<u>1,183,958</u>	<u>3,603,641</u>	<u>2,981,420</u>	<u>4,606,683</u>	<u>4,165,378</u>
Total Net Assets	<u>1,951,554</u>	<u>1,003,042</u>	<u>3,639,392</u>	<u>3,603,641</u>	<u>5,590,946</u>	<u>4,606,683</u>

PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Business-Type Activities

- * The City received a capital grant of \$8,538 and a loan of \$35,768 from DWB to be used for the construction of a new water system.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities increased the City's net assets by \$35,751 accounting for 3 percent of the total increase in the government's net assets. Key elements of this increase are as follows:

- * The increase in costs in the water fund was attributable to the cost of installing new water lines and other improvements.
- * The revenues met or exceeded the adopted budget amounts, and expenses were less than the adopted budget amounts.
- * The depreciation in the enterprise funds remained about the same as the prior year.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Panguitch City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the City's governmental fund reported ending fund balances of \$151,713 a decrease of \$126,243 in comparison with the prior year. Approximately 57 percent of this amount, \$87,405 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to capital improvements for \$58,077, and landfill for \$6,231.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance of the general fund was \$87,405, while total fund balance reached \$151,713. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 3 percent of total general fund expenditures, while total fund balance represents 6 percent of that same amount.

PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Proprietary Funds

The City's proprietary funds provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water and sewer funds at the end of the year were \$505,792. Other factors concerning the finances of these funds has already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget of \$172,600 can be briefly summarized as follows:

- * \$50,100 increase in general government.
- * \$45,000 increase in public safety.
- * \$17,000 increase in highways and public improvements.
- * \$113,000 increase in culture and recreation.
- * \$51,000 decrease in economic development and airport.
- * \$1,500 decrease in landfill.

Of this increase, \$121,300 was funded out of prior year unreserved fund balance. During the year, however, actual revenues were less than budgeted revenues by \$181,626 and actual expenditures were less than budgeted expenditures by \$55,383 resulting in a net decrease in fund balance of \$126,243.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental activities as of June 30, 2005, was \$2,635,546 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, sidewalks, and curb and gutter.

The total increase in the City's investment in capital assets for the current year was \$1,381,151.

PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Capital Assets (Continued)

Panguitch City's Capital Assets
(net of depreciation)

	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	89,625	89,625	220,000	220,000	309,625	309,625
Infrastructure	365,214	384,436	-	-	365,214	384,436
Buildings	568,967	610,634	-	-	568,967	610,634
Improvements Other than Buildings	1,480,797	366,943	4,972,789	5,125,139	6,453,586	5,492,082
Equipment	130,943	140,901	16,217	20,102	147,160	161,003
Construction in Progress	-	-	1,425,530	1,278,086	1,425,530	1,278,086
Total	<u>2,635,546</u>	<u>1,592,539</u>	<u>6,634,536</u>	<u>6,643,327</u>	<u>9,270,082</u>	<u>8,235,866</u>

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the City had total debt outstanding of \$4,291,790. The debt represents revenue bonds.

Panguitch City's Long-Term Debt

	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Long-Term Debt	<u>794,394</u>	<u>825,852</u>	<u>3,497,396</u>	<u>3,613,943</u>	<u>4,291,790</u>	<u>4,439,795</u>

State statutes limit the amount of general obligation debt a governmental entity may issue up to 12 percent of its total fair market value of taxable property in the City which is approximately \$60,000,000. The City has \$3,164,198 of general obligation debt.

Additional information on the City's long-term debt can be found in the notes of the financial statements.

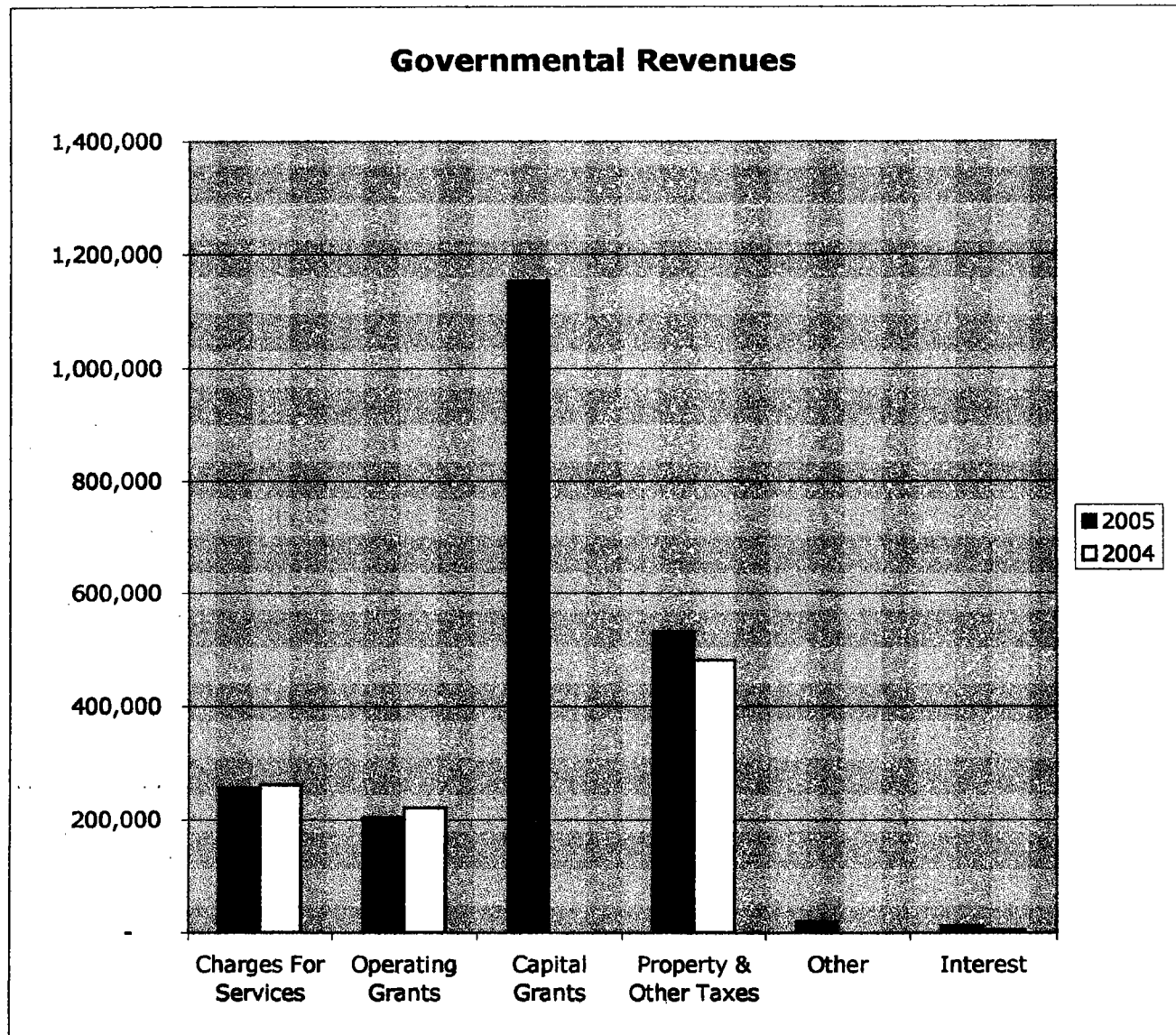
PANGUITCH CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Request for Information

This financial report is designed to provide a general overview of Panguitch City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Panguitch City Recorder, P.O. Box 75, Panguitch, Utah, 84759-0075.

**Panguitch City
Governmental Revenues
For The Fiscal Years Ending June 30, 2005 and 2004**

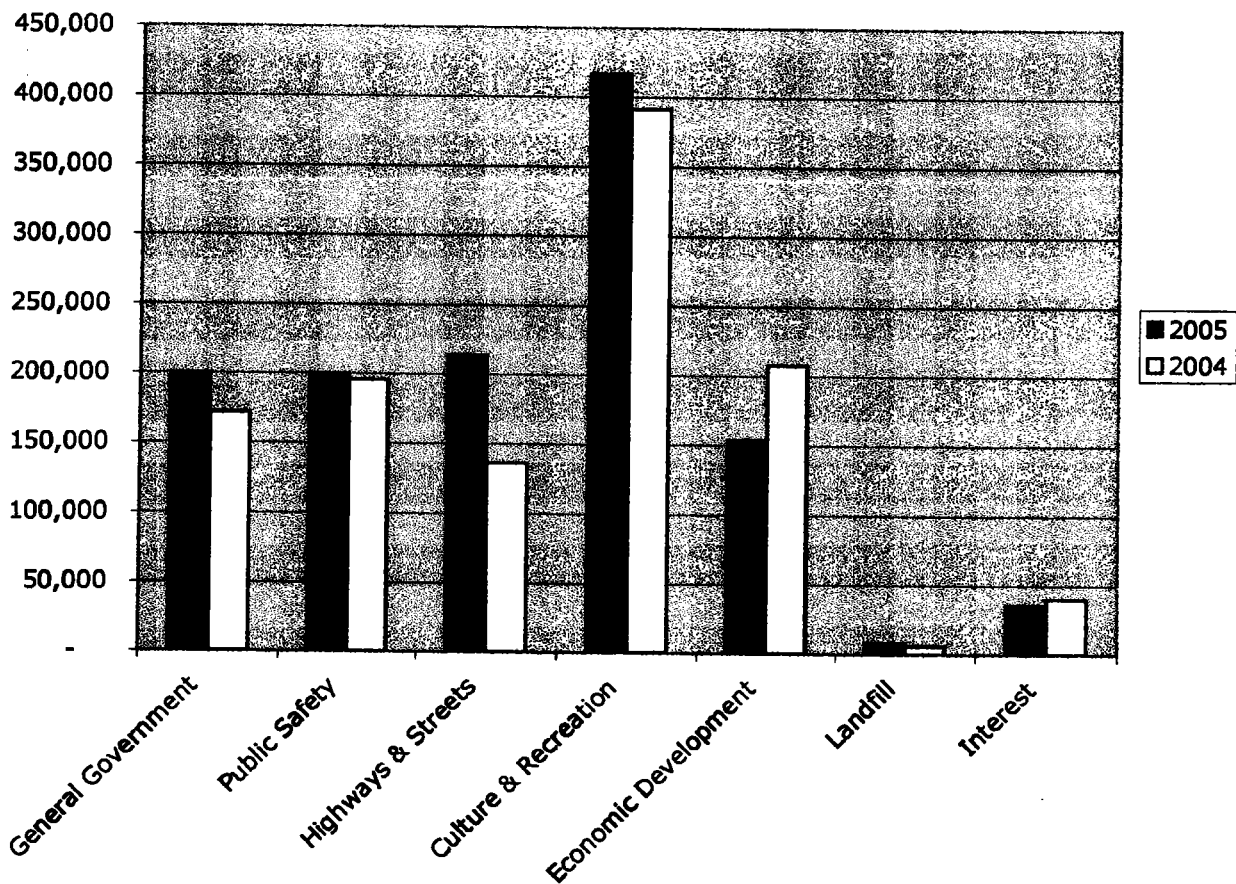
	2005	2004
Charges For Services	256,212	261,770
Operating Grants	204,405	221,143
Capital Grants	1,153,475	-
Property & Other Taxes	531,936	481,193
Other	19,540	-
Interest	11,557	5,441
Total Revenues	2,177,125	969,547



**Panguitch City
Governmental Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004**

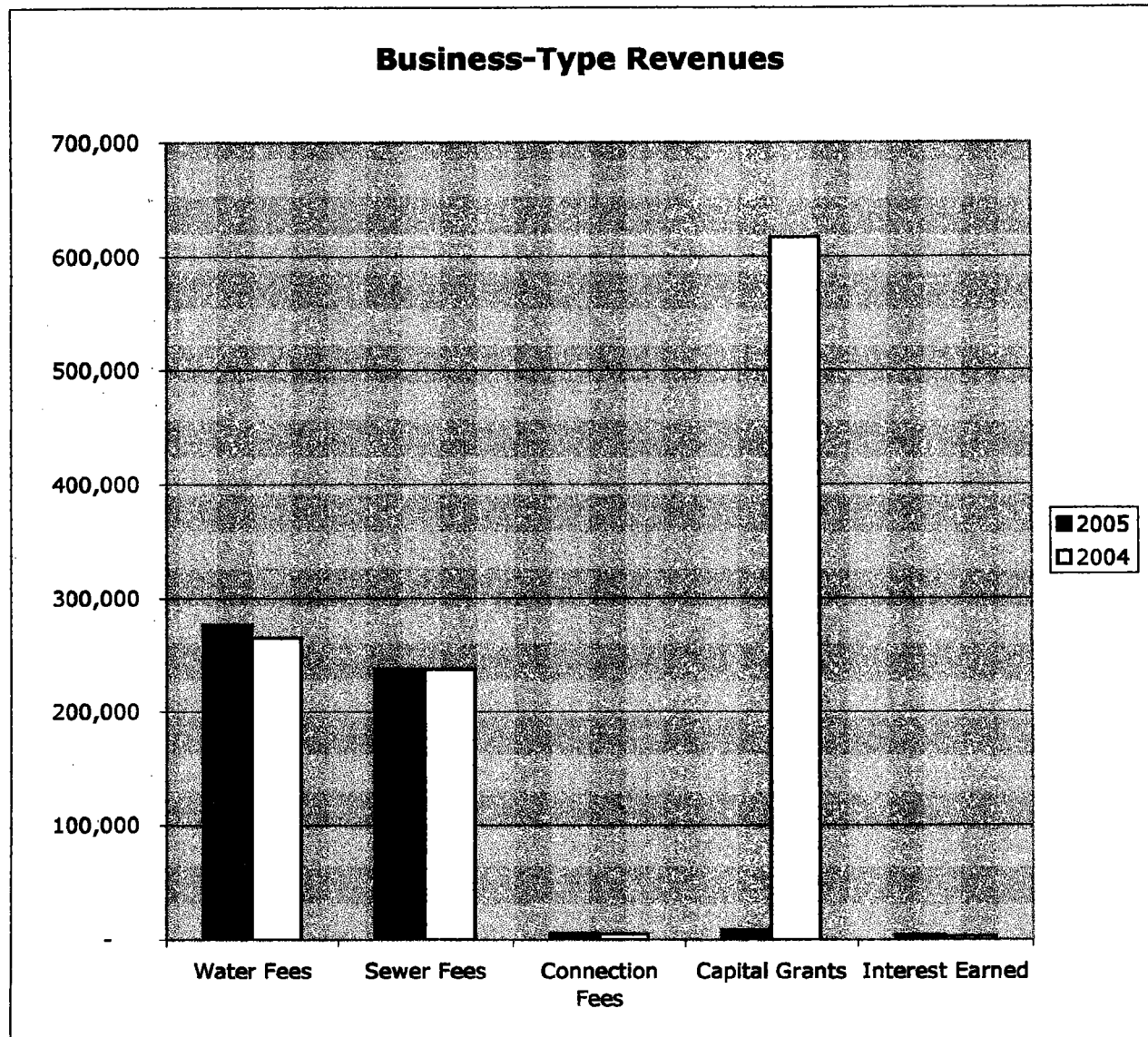
	2005	2004
General Government	200,068	171,817
Public Safety	200,215	195,914
Highways & Streets	213,751	136,462
Culture & Recreation	416,309	391,440
Economic Development	154,013	207,892
Landfill	8,020	6,266
Interest	36,237	40,672
Total Expenditures	1,228,613	1,150,463

Governmental Expenditures



**Panguitch City
Business-Type Revenues
For The Fiscal Years Ending June 30, 2005 and 2004**

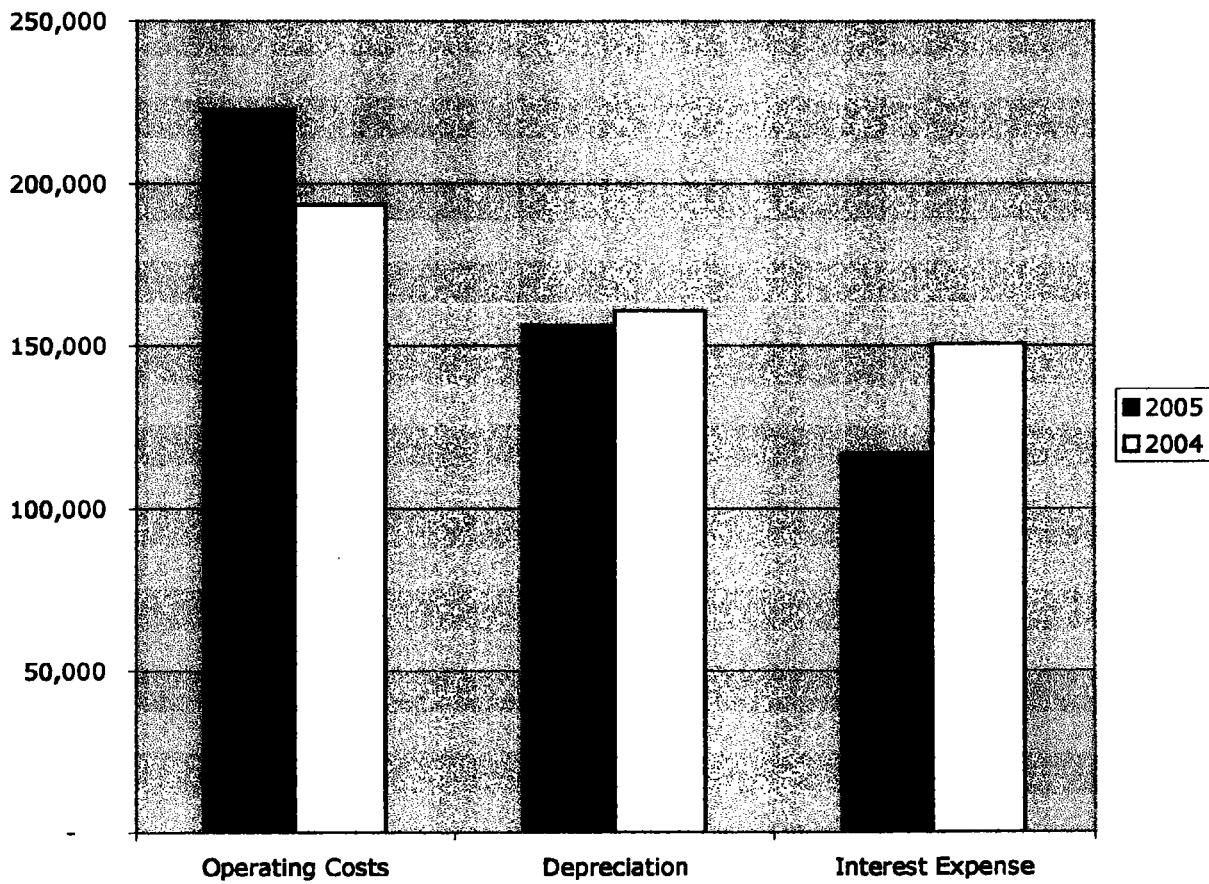
	2005	2004
Water Fees	276,447	265,068
Sewer Fees	237,294	237,309
Connection Fees	5,400	4,900
Capital Grants	8,538	617,000
Interest Earned	4,051	2,826
Total Revenues	531,730	1,127,103



Panguitch City
Business Type Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004

	2005	2004
Operating Costs	222,711	193,519
Depreciation	156,235	160,769
Interest Expense	117,033	150,594
Total Expenditures	495,979	504,882

Business-Type Expenditures



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is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**PANGUITCH CITY
STATEMENT OF NET ASSETS**

June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	32,208	386,323	418,531
Accounts Receivable (Net)	43,332	66,806	110,138
Note Receivable	-	3,000	3,000
Due From Other Government Units	100,681	-	100,681
Total Current Assets	176,221	456,129	632,350
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	64,308	39,849	104,157
Note Receivable	-	52,463	52,463
Capital Assets (Net of Accumulated Depreciation):			
Land	89,625	220,000	309,625
Buildings	568,967	-	568,967
Improvements Other Than Buildings	1,480,797	-	1,480,797
Equipment	130,943	16,217	147,160
Water System	-	740,489	740,489
Sewer System	-	4,232,300	4,232,300
Infrastructure	365,214	-	365,214
Construction In Progress	-	1,425,530	1,425,530
Total Noncurrent Assets	2,699,854	6,726,848	9,426,702
TOTAL ASSETS	2,876,075	7,182,977	10,059,052
LIABILITIES			
Current Liabilities:			
Accounts Payable	86,539	-	86,539
Accrued Liabilities	2,277	-	2,277
Deposits Payable	-	2,800	2,800
Bond Interest Payable	23,900	43,389	67,289
Bonds Payable - Due Within One Year	29,865	135,915	165,780
Total Current Liabilities	142,581	182,104	324,685
Noncurrent Liabilities:			
Bonds Payable - Due More Than One Year	764,529	3,361,481	4,126,010
Compensated Absences	17,411	-	17,411
Total Noncurrent Liabilities	781,940	3,361,481	4,143,421
TOTAL LIABILITIES	924,521	3,543,585	4,468,106
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	1,817,252	3,093,751	4,911,003
Restricted For:			
Bond Retirement	-	24,000	24,000
Capital Outlay	58,077	15,849	73,926
Landfill Closure Costs	6,231	-	6,231
Unrestricted	69,994	505,792	575,786
TOTAL NET ASSETS	1,951,554	3,639,392	5,590,946
TOTAL LIABILITIES AND NET ASSETS	2,876,075	7,182,977	10,059,052

The notes to the financial statements are an integral part of this statement.

**PANGUITCH CITY
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2005

Function/Programs Primary Government: Governmental Activities:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Governmental Activities
General Government	200,068	86,170	-	-	(113,898)
Public Safety	200,215	-	73,111	-	(127,104)
Highways and Public Improvements	213,751	-	64,450	-	(149,301)
Culture and Recreation	416,309	170,042	66,844	-	(179,423)
Economic Development and Airport	154,013	-	-	1,153,475	999,462
Landfill	8,020	-	-	-	(8,020)
Interest on Long-Term Debt	36,237	-	-	-	(36,237)
Total Governmental Activities	1,228,613	256,212	204,405	1,153,475	385,479
Business-Type Activities:					
Water Fund	144,470	281,847	-	8,538	-
Sewer Fund	234,476	237,294	-	-	-
Total Business-Type Activities	378,946	519,141	-	8,538	-
Total Primary Government	1,607,559	775,353	204,405	1,162,013	385,479
General Revenues:					
Property Taxes					127,366
Fee-In-Lieu of Property Taxes					30,635
Sales Taxes					190,269
Resort Taxes					124,876
Franchise Taxes					58,790
Sale of Property					19,540
Unrestricted Investment Earnings					4,051
Total General Revenues and Transfers					563,033
Change in Net Assets					35,751
Net Assets - Beginning					3,603,641
Net Assets - Ending					3,639,392

The notes to the financial statements are an integral part of this statement.

**PANGUITCH CITY
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	96,516
Accounts Receivable	43,332
Due From Other Government Units	<u>100,681</u>
TOTAL ASSETS	<u><u>240,529</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts Payable	86,539
Accrued Liabilities	<u>2,277</u>
Total Liabilities	<u>88,816</u>
Fund Balances:	
Reserved For:	
Landfill Closure Costs	6,231
Capital Outlay	58,077
Unreserved, Reported In:	
General Fund	<u>87,405</u>
Total Fund Balance	<u>151,713</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>240,529</u></u>

The notes to the financial statements are an integral part of this statement.

PANGUITCH CITY
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2005

Total Fund Balances - Governmental Fund Types	151,713
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	89,625	
Buildings	568,967	
Improvements	1,480,797	
Equipment	130,943	
Infrastructure	<u>365,214</u>	
 Total		 2,635,546

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Bonds Payable	(794,394)	
Bond Interest Payable	(23,900)	
Compensated Absences	<u>(17,411)</u>	
 Total		 <u>(835,705)</u>

Net Assets of Government Activities	<u><u>1,951,554</u></u>
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PANGUITCH CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
Revenues:	
Taxes	531,936
Licenses and Permits	4,363
Intergovernmental Revenue	1,357,880
Charges for Services	170,042
Fines and Forfeitures	48,574
Interest	11,557
Miscellaneous Revenues	<u>52,773</u>
Total Revenues	<u>2,177,125</u>
Expenditures:	
Current:	
General Government	189,528
Public Safety	167,891
Highways and Public Improvements	191,009
Landfill	7,853
Culture and Recreation	355,051
Other	90,634
Capital Outlay	1,233,707
Debt Service:	
Principal	31,458
Interest	<u>36,237</u>
Total Expenditures	<u>2,303,368</u>
Net Change In Fund Balance	(126,243)
Fund Balance - Beginning	<u>277,956</u>
Fund Balance - Ending	<u><u>151,713</u></u>

The notes to the financial statements are an integral part of this statement.

PANGUITCH CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	(126,243)
---	-----------

Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	1,233,707	
Depreciation Expense	<u>(190,700)</u>	
Total		1,043,007

The issuance of long-term debt (e.g., bonds, leases) provide current financial
resources to governmental funds, while the repayment of the principal of
long-term debt consumes the current financial resources of governmental
funds. Neither transaction, however, has any effect on net assets. This
amount is the net effect of these differences in the treatment of long-term
debt and related items:

Bond Interest	830	
Bond Principal	<u>31,458</u>	
Total		32,288

Some expenses reported in the statement of activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds:

Compensated Absences	<u>(540)</u>
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Changes In Net Assets of Governmental Activities	<u><u>948,512</u></u>
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**PANGUITCH CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity Enterprise Fund		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	319,156	67,167	386,323
Accounts Receivable	36,173	30,633	66,806
Contracts Receivable	3,000	-	3,000
Total Current Assets	<u>358,329</u>	<u>97,800</u>	<u>456,129</u>
Noncurrent Assets:			
Investments - Restricted:			
Bond Retirement	24,000	-	24,000
Capital Outlay	15,849	-	15,849
Contracts Receivable	52,463	-	52,463
Capital Assets: (Net of Accum. Depr.)			
Land	40,000	180,000	220,000
Water System	740,489	-	740,489
Sewer System	-	4,232,300	4,232,300
Equipment	4,614	11,603	16,217
Construction In Progress	1,425,530	-	1,425,530
Total Noncurrent Assets	<u>2,302,945</u>	<u>4,423,903</u>	<u>6,726,848</u>
TOTAL ASSETS	<u>2,661,274</u>	<u>4,521,703</u>	<u>7,182,977</u>
LIABILITIES:			
Current Liabilities:			
Deposits Payable	2,800	-	2,800
Bond Interest Payable	16,659	26,730	43,389
Bonds Payable - Current Portion	45,639	90,276	135,915
Total Current Liabilities	<u>65,098</u>	<u>117,006</u>	<u>182,104</u>
Noncurrent Liabilities:			
Bonds Payable - Long-Term Portion	994,173	2,367,308	3,361,481
TOTAL LIABILITIES	<u>1,059,271</u>	<u>2,484,314</u>	<u>3,543,585</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1,154,162	1,939,589	3,093,751
Restricted for:			
Bond Retirement	24,000	-	24,000
Capital Outlay	15,849	-	15,849
Unrestricted	407,992	97,800	505,792
TOTAL NET ASSETS	<u>1,602,003</u>	<u>2,037,389</u>	<u>3,639,392</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,661,274</u>	<u>4,521,703</u>	<u>7,182,977</u>

The notes to the financial statements are an integral part of this statement.

PANGUITCH CITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2005

	Business-Type Activity Enterprise Fund		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Operating Revenues:			
Charges for Sales and Services:			
Water	266,534	-	266,534
Sewer	-	237,294	237,294
Water Connection Fees	5,400	-	5,400
Other	<u>9,913</u>	<u>-</u>	<u>9,913</u>
Total Operating Revenues	<u>281,847</u>	<u>237,294</u>	<u>519,141</u>
Operating Expenses:			
Salaries	38,376	46,656	85,032
Fringe Benefits	19,744	19,321	39,065
Materials and Supplies	21,279	8,495	29,774
Utilities	9,675	3,201	12,876
Insurance	4,106	1,362	5,468
Professional and Technical	13,292	-	13,292
Other	15,986	21,218	37,204
Depreciation	<u>22,012</u>	<u>134,223</u>	<u>156,235</u>
Total Operating Expenses	<u>144,470</u>	<u>234,476</u>	<u>378,946</u>
Operating Income	<u>137,377</u>	<u>2,818</u>	<u>140,195</u>
Nonoperating Revenues (Expenses):			
Investment Earnings	4,051	-	4,051
Grant Proceeds	8,538	-	8,538
Interest Expense	<u>(37,867)</u>	<u>(79,166)</u>	<u>(117,033)</u>
Total Nonoperating Revenues (Expenses)	<u>(25,278)</u>	<u>(79,166)</u>	<u>(104,444)</u>
Change in Net Assets	112,099	(76,348)	35,751
Total Net Assets - Beginning	<u>1,489,904</u>	<u>2,113,737</u>	<u>3,603,641</u>
Total Net Assets - Ending	<u><u>1,602,003</u></u>	<u><u>2,037,389</u></u>	<u><u>3,639,392</u></u>

The notes to the financial statements are an integral part of this statement.

**PANGUITCH CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity Enterprise Fund		
	Water Fund	Sewer Fund	Totals
Cash Flows From Operating Activities:			
Receipts From Customers	291,820	242,893	534,713
Payments to Suppliers	(140,243)	(53,597)	(193,840)
Payments to Employees	(38,376)	(46,656)	(85,032)
Net Cash Provided by Operating Activities	113,201	142,640	255,841
Cash Flows From Capital and Related Financing Activities:			
Principal Paid on Capital Debt	(64,431)	(87,884)	(152,315)
Interest Paid on Capital Debt	(38,467)	(79,436)	(117,903)
Loan Proceeds	35,768	-	35,768
Grant Proceeds	8,538	-	8,538
Net Cash Provided (Used) by Capital and Related Financing Activities	(58,592)	(167,320)	(225,912)
Cash Flows from Investing Activities:			
Interest Received	4,051	-	4,051
Construction In Progress	(147,444)	-	(147,444)
Net Cash Provided (Used) by Investing Activities	(143,393)	-	(143,393)
Net Increase (Decrease) in Cash and Cash Equivalents	(88,784)	(24,680)	(113,464)
Cash and Cash Equivalents - Beginning	447,789	91,847	539,636
Cash and Cash Equivalents - Ending	359,005	67,167	426,172
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:			
Operating Income	137,377	2,818	140,195
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:			
Depreciation	22,012	134,223	156,235
Increase (Decrease) in Operating Assets:			
Accounts Receivable	9,973	5,599	15,572
Accounts Payable	(56,761)	-	(56,761)
Deposits Payable	600	-	600
Total Adjustments	(24,176)	139,822	115,646
Net Cash Provided (Used) by Operating Activities	113,201	142,640	255,841

The notes to the financial statements are an integral part of this statement.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Panguitch City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

A. Reporting Entity

Panguitch City is a municipal corporation in Garfield County, Utah. It is governed by an elected mayor and five member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Panguitch City, the reporting entity. The City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Panguitch City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the City water and sewer operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Water System	40 Years
Machinery and Equipment	10 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

D. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Budgets and Budgetary Accounting:

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the City Council in the month of May, the mayor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the City Council makes final adjustments to the tentative budget.
4. On or before June 22, the City Council adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The City Council may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the City Council.
8. Proprietary Fund budgets may be increased without a public hearing by resolution of the City Council.
9. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

The Fiscal Procedures Act for Utah Towns require local municipalities to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance - budget and actual identifies the departments and funds which have over expended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

**PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Tax Calendar:

January 1	Lien Date - All property appraised based upon situs and status as of this date (real and personal).
March 1	Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice.
June 22	All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor.
July 22	County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices.
September 1	State Tax Commission approves tax rates.
November 1	County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit.
November 1	County auditor to charge the county treasurer to account for all taxes levied.
November 1	County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings.
November 30	Taxes on real property become delinquent.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year end, the carrying amount of the City's deposits was \$359,101 and the bank balances were \$429,863. Of the bank balance, \$100,000 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

Utah State statutes authorize the City to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standards and Poors Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements, and the State Treasurer's Investment Pool. The City is also authorized to enter into reverse repurchase agreements.

The City's investments are categorized below to give an indication of the risk assumed by the City at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City in the City's name, and includes deposits collateralized by securities held by the City in the City's name. Category 2 includes uninsured and unregistered investments for which the investments are held by a broker or dealer in the City's name, and includes deposits collateralized by securities held by the pledging institution in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer but not in the City's name, and includes deposits not insured or collateralized. Panguitch City's investments at year end are shown below:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value/ Carrying Amount</u>
Investments	<u>-</u>	<u>-</u>	<u>-</u>	-
Other Items:				
State Treasurer's Investment Pool				<u>163,587</u>
Total				<u><u>163,587</u></u>

The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

Cash is reflected in the financial statements as follows:

Governmental	96,516
Proprietary	<u>426,172</u>
Total	<u><u>522,688</u></u>

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 3 - BOND RESERVES

Utility Long-Term Debt - Water Fund:

The 1982 Irrigation Water Revenue Bonds require two bond reserve accounts. The reserve fund requires monthly deposits of \$55 to a maximum of \$5,300. The emergency repair and replacement reserve fund requires a deposit of \$29 per month to a maximum of \$2,800. The balance of the reserves at June 30, 2005, was the full amount of \$8,100. The bond also requires the City to deposit into a sinking fund amounts sufficient to make the annual bond payment. At June 30, 2005, the sinking fund balance was \$15,900.

The balance of all reserves in the water fund at June 30, 2005, was \$24,000.

NOTE 4 - MUNICIPAL SOLID WASTE CLASS IV LANDFILL - CLOSURE AND POSTCLOSURE

Closure activities at the Panguitch Class IV Landfill will be performed on an ongoing basis. When a portion of the landfill attains final elevation, and sufficient working area exists to place final cover, closure operations will be initiated. Closure operations will consist of leveling, contouring, placement of appropriate covers and seeding as necessary to reduce infiltration and preserve the integrity of the completed areas of the landfill.

Site capacity for the entire landfill cannot be accurately estimated. Assuming the initial 10 acre parcel, waste volumes can be estimated at 264,000 cubic yards or 118,800 tons. Capacity used as of June 30, 2005, was estimated to be approximately 8,000 ton.

Closure costs are estimated using projections for a third party to perform the work and considering the largest area of the disposal facility requiring final cover during the operating period. Cover operations consisted of 20 hours of equipment time and include seeding and inspection. Closure costs are estimated at \$10,000. The City began accepting waste at the landfill in mid 1996.

Post-closure care of inactive sections of the landfill will consist of maintaining the integrity of the final and vegetative covers. Any areas subject to erosion will also be corrected and appropriate measures will be implemented to identify and eliminate the source. Groundwater monitoring, leachate collection, and gas collection are not proposed for the Panguitch Class IV Landfill. Therefore, closure and post-closure activities associated with these functions will not be performed.

A financial assurance plan has been developed by the Panguitch Class IV Landfill and consists of insuring that sufficient funding is available within 5 years of initial solid waste receipt for the closure of the largest area of the landfill that is active at any time. The City is required by State and Federal laws and regulations to make annual contributions to a trust account to finance closure and postclosure costs. Cost estimates were developed considering a third party performing the work.

Annual payments of \$500 are required to be placed in a dedicated escrow/capital improvement account. Money deposited in this trust account will be used exclusively for closure, postclosure care and corrective action. The fund will be evaluated on an annual basis and may be increased as needed by resolution.

The City has funded this account with \$6,230. The account is fully funded.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 5 - NOTE RECEIVABLE - WEST PANGUITCH IRRIGATION COMPANY

In December of 1984, the West Valley Irrigation Company signed a note with the City for \$77,676.64 and agreed to pay the City \$4,450.52 in December of each year including interest at 5%. The City had extended the secondary water system to West Panguitch and this note represents the cost of the system to West Panguitch Irrigation Company. The balance of the note at June 30, 2005, was \$55,463.

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	17,625	-	-	17,625
Land Related to Infrastructure	<u>72,000</u>	<u>-</u>	<u>-</u>	<u>72,000</u>
Total Capital Assets Not Being Depreciated	<u>89,625</u>	<u>-</u>	<u>-</u>	<u>89,625</u>
Capital Assets Being Depreciated:				
Buildings	1,375,000	-	-	1,375,000
Improvements Other Than Bldgs	2,190,000	1,221,400	-	3,411,400
Equipment	344,143	12,307	-	356,450
Infrastructure	<u>576,654</u>	<u>-</u>	<u>-</u>	<u>576,654</u>
Total Capital Assets Being Depreciated	<u>4,485,797</u>	<u>1,233,707</u>	<u>-</u>	<u>5,719,504</u>
Less Accumulated Depreciation For:				
Buildings	764,366	41,667	-	806,033
Improvements Other Than Bldgs	1,823,057	107,546	-	1,930,603
Equipment	203,242	22,265	-	225,507
Infrastructure	<u>192,218</u>	<u>19,222</u>	<u>-</u>	<u>211,440</u>
Total Accumulated Depreciation	<u>2,982,883</u>	<u>190,700</u>	<u>-</u>	<u>3,173,583</u>
Total Capital Assets Being Depreciated (Net)	<u>1,502,914</u>	<u>1,043,007</u>	<u>-</u>	<u>2,545,921</u>
Governmental Activities Capital Assets, Net	<u>1,592,539</u>	<u>1,043,007</u>	<u>-</u>	<u>2,635,546</u>

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	220,000	-	-	220,000
Construction In Progress	<u>1,278,086</u>	<u>147,444</u>	-	<u>1,425,530</u>
Total Capital Assets Not Being Depreciated	<u>1,498,086</u>	<u>147,444</u>	-	<u>1,645,530</u>
Capital Assets Being Depreciated:				
Equipment	80,329	-	-	80,329
Water System	1,205,927	-	-	1,205,927
Sewer System	<u>5,290,000</u>	-	-	<u>5,290,000</u>
Total Capital Assets Being Depreciated	<u>6,576,256</u>	-	-	<u>6,576,256</u>
Less Accumulated Depreciation For:				
Equipment	60,227	3,885	-	64,112
Water System	445,338	20,100	-	465,438
Sewer System	<u>925,450</u>	<u>132,250</u>	-	<u>1,057,700</u>
Total Accumulated Depreciation	<u>1,431,015</u>	<u>156,235</u>	-	<u>1,587,250</u>
Total Capital Assets Being Depreciated (Net)	<u>5,145,241</u>	<u>(156,235)</u>	-	<u>4,989,006</u>
Business Type Activities Capital Assets, Net	<u>6,643,327</u>	<u>(8,791)</u>	-	<u>6,634,536</u>
Total Capital Assets	<u><u>8,235,866</u></u>	<u><u>1,034,216</u></u>	<u><u>-</u></u>	<u><u>9,270,082</u></u>

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	10,000	-	10,000
Public Safety	32,484	-	32,484
Public Health	-	156,235	156,235
Highways and Public Improvements	22,742	-	22,742
Parks and Recreation	17,927	-	17,927
Landfill	167	-	167
Economic Development	107,380	-	107,380
	<u>190,700</u>	<u>156,235</u>	<u>346,935</u>
Total Depreciation Expense			

NOTE 7 - LONG TERM DEBT

Utility Long-Term Debt:

Water System:

Irrigation Water Revenue Bond:

In September of 1982 Panguitch City issued Irrigation Water Revenue Bonds in the amount of \$550,000. The bonds bear an interest rate of 5% and requires yearly payments of approximately \$33,000 including interest. The principal balance at June 30, 2005, was \$364,276.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	14,103	18,214	32,317
2006/2007	14,808	17,509	32,317
2007/2008	15,548	16,769	32,317
2008/2009	16,326	15,991	32,317
2009/2010	17,142	15,175	32,317
2011/2015	99,456	62,126	161,582
2016/2020	126,936	34,649	161,585
2021/2025	59,957	4,530	64,487
	<u>364,276</u>	<u>184,963</u>	<u>549,239</u>

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG TERM DEBT (CONTINUED)

Subordinated Water Revenue Bonds:

During 1991, Panguitch City issued \$320,000 in subordinated water revenue bonds for the purpose of improving and upgrading their water system. However, the City did not require the use of all of these funds for the project. Therefore, during 1992 the City applied \$168,464 of these monies to the bonded indebtedness. Bond principal balance at June 30, 2005, was \$4,536.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	<u>4,536</u>	<u>199</u>	<u>4,735</u>

Parity Water Revenue Bonds:

During the year the City obtained financing for the purpose of providing funds to finance all or part of the cost of acquiring, constructing, improving and extending the culinary water system of Panguitch City. The estimated cost of the project is \$1,451,000 and will be financed as follows:

Utah Drinking Water Board Loan	872,000
CUP Grant	300,000
CDBG Grant	150,000
Rural Development Fund Board Grant	75,000
City Funds	<u>54,000</u>
Total	<u>1,451,000</u>

Construction began during the current year and the project will be completed during the following fiscal year.

Panguitch City has agreed to pay up to \$872,000 for this Bond, but the Utah Drinking Water Board has agreed to forgive and relieve the City of the obligation in an amount up to One Hundred Seventy-Four Thousand Dollars (\$174,000) or 20% of the amount paid so that the maximum principal amount of this bond shall not exceed Six Hundred Ninety-Eight Thousand Dollars (\$698,000) and accordingly, 20% of each incremental advance payment received from the Board shall be deemed to be debt forgiveness proceeds and 80% of each payment shall be deemed principal. The bond carries an interest rate of 2.71%. Total funds disbursed to the City during the current fiscal year were \$44,306.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG TERM DEBT (CONTINUED)

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	27,000	18,184	45,184
2006/2007	28,000	17,452	45,452
2007/2008	29,000	16,694	45,694
2008/2009	30,000	15,908	45,908
2009/2010	31,000	15,095	46,095
2011/2015	165,000	62,602	227,602
2016/2020	190,000	38,889	228,889
2021/2025	171,000	11,762	182,762
	<u>671,000</u>	<u>196,586</u>	<u>867,586</u>

Sewer System:

General Obligation Sewer Bond, Series 1995A:

Panguitch City issued \$753,000 of General Obligation Sewer Bonds interest free to Utah State Department of Water Quality in 1998. Bond principal balance at June 30, 2005, was \$494,000.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	38,000	-	38,000
2006/2007	38,000	-	38,000
2007/2008	38,000	-	38,000
2008/2009	38,000	-	38,000
2009/2010	38,000	-	38,000
2011/2015	190,000	-	190,000
2016/2020	114,000	-	114,000
	<u>494,000</u>	<u>-</u>	<u>494,000</u>

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG TERM DEBT (CONTINUED)

General Obligation Sewer Bond, Series 1995B:

Panguitch City issued \$1,000,000 of General Obligation Sewer Revenue Bonds to the Community Impact Board at 3% per annum. Repayment is over a 25 year period in annual installments. Bond principal balance at June 30, 2005, was \$790,000.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	34,000	23,700	57,700
2006/2007	35,000	22,680	57,680
2007/2008	36,000	21,630	57,630
2008/2009	37,000	20,550	57,550
2009/2010	38,000	18,440	56,440
2011/2015	207,000	79,470	286,470
2016/2020	240,000	46,470	286,470
2021/2025	163,000	9,871	172,871
	<u>790,000</u>	<u>242,811</u>	<u>1,032,811</u>

General Obligation Sewer Bond, Series 1996C:

On April 30, 1996, the City of Panguitch authorized \$1,300,000 of General Obligation Sewer Bonds. Farmers Home Administration purchased these bonds at 4.5% per annum. They will be repaid over 40 years. Bond principal balance at June 30, 2005, was \$1,173,584.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	18,276	52,860	71,136
2006/2007	19,098	52,038	71,136
2007/2008	19,958	51,178	71,136
2008/2009	20,856	50,280	71,136
2009/2010	21,794	49,342	71,136
2011/2015	124,595	231,085	355,680
2016/2020	155,268	200,412	355,680
2021/2025	193,493	162,187	355,680
2026/2030	241,126	114,554	355,680
2031/2035	297,598	58,082	355,680
2036/2040	61,522	5,635	67,157
	<u>1,173,584</u>	<u>1,027,653</u>	<u>2,201,237</u>

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of changes in utility bonds payable at June 30, 2005:

Bond Issue:	Date of Issue	Interest Rate	Total Authorized	Outstanding June 30, 2004	Current Year Changes			Outstanding June 30, 2005
					Issued	Matured		
Water System:								
Secondary Water System Revenue Bonds	1983	5%	550,000	377,707	-	13,431		364,276
Subordinated Water Revenue Bonds	1991	5%	320,000	28,536	-	24,000		4,536
Parity Water Revenue Bonds	2003	2.71%	872,000	662,232	35,768	27,000		671,000
Total Water System			1,742,000	1,068,475	35,768	64,431		1,039,812
Sewer System:								
Water Quality General Obligation Bonds	1996	0%	753,000	531,000	-	37,000		494,000
CIB General Obligation Bonds	1996	3%	1,000,000	823,000	-	33,000		790,000
RDA General Obligation Bonds	1996	4.50%	1,300,000	1,191,468	-	17,884		1,173,584
Total Sewer System			3,053,000	2,545,468	-	87,884		2,457,584
Total Bond Issues			4,795,000	3,613,943	35,768	152,315		3,497,396

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG TERM DEBT (CONTINUED)

The following is a summary of debt service to maturity on all utility bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	135,915	113,158	249,073
2006/2007	134,906	109,679	244,585
2007/2008	138,506	106,270	244,776
2008/2009	142,182	102,729	244,911
2009/2010	145,936	98,052	243,988
2011/2015	786,051	435,283	1,221,334
2016/2020	826,204	320,420	1,146,624
2021/2025	587,450	188,351	775,801
2026/2030	241,126	114,554	355,680
2031/2035	297,598	55,193	352,791
2036/2040	<u>61,522</u>	<u>5,635</u>	<u>67,157</u>
	<u><u>3,497,396</u></u>	<u><u>1,649,324</u></u>	<u><u>5,146,720</u></u>

Governmental Long-Term Debt:

General Obligation Bonds Payable:

During the 1999-2000 year Panguitch City residents approved the issuance of \$618,000 of general obligation bonds to be purchased by Zions Bank at 6.05% over 20 years. They also approved the issuance of \$905,000 of general obligation bonds to be issued to Rural Development at approximately 5.2% over 25 years. These funds were used for the purpose of constructing a multi-purpose civic and equestrian complex and all related improvements pertaining to this project. Panguitch City obtained interim financing for the Rural Development Bonds from Zions Bank in the amount of \$905,000.

The estimated cost of the project was \$1,600,000 and was financed as follows:

Rural Development General Obligation Bonds	905,000
Zions Bank General Obligation Bonds	618,000
Panguitch City's Contribution	<u>77,000</u>
Total	<u><u>1,600,000</u></u>

Construction began September 1, 2000 and is now complete.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG TERM DEBT (CONTINUED)

During the 2000/2001 year the general obligation bonds of \$618,000 were issued and \$18,000 was paid on the debt. The remaining \$600,000 was retired by Garfield County on November 2, 2001. In addition, the County retired \$145,500 of the Rural Development Bonds leaving a balance for the City to retire of \$744,982.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	18,985	34,565	53,550
2006/2007	19,887	33,704	53,591
2007/2008	20,832	32,802	53,634
2008/2009	21,821	31,858	53,679
2009/2010	22,858	30,868	53,726
2011/2015	131,643	137,771	269,414
2016/2020	166,022	104,951	270,973
2021/2025	209,380	63,560	272,940
2026/2030	95,186	13,880	109,066
	<u>706,614</u>	<u>483,959</u>	<u>1,190,573</u>

Zions Bank Fire Truck Loan:

The City obtained financing of \$151,000 from Zions Bank during the 2001/2002 fiscal year for the acquisition of a fire truck. Terms of the loan require a payment of \$50,000 in 2003 and annual payments of \$15,006 thereafter including interest at 4.7%.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	10,880	4,126	15,006
2006/2007	11,391	3,615	15,006
2007/2008	11,927	3,079	15,006
2008/2009	12,487	2,519	15,006
2009/2010	13,074	1,932	15,006
2011/2015	28,021	1,991	30,012
	<u>87,780</u>	<u>17,262</u>	<u>105,042</u>

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - LONG TERM DEBT (CONTINUED)

The following is a statement of changes in Governmental Long-Term Debt:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Zions Bank G. O. Bonds	727,680	-	21,066	706,614
Zions Fire Truck Loan	<u>98,172</u>	<u>-</u>	<u>10,392</u>	<u>87,780</u>
Totals	<u>825,852</u>	<u>-</u>	<u>31,458</u>	<u>794,394</u>

The following is a summary of Governmental Long-Term Debt to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005/2006	29,865	39,179	69,044
2006/2007	31,278	37,830	69,108
2007/2008	32,759	36,416	69,175
2008/2009	34,308	34,937	69,245
2009/2010	35,932	33,386	69,318
2011/2015	159,664	141,693	301,357
2016/2020	166,022	104,951	270,973
2021/2025	209,380	63,560	272,940
2026/2030	<u>95,186</u>	<u>13,880</u>	<u>109,066</u>
Total	<u>794,394</u>	<u>505,832</u>	<u>1,300,226</u>

Compensated Absences:

Compensated absences of Panguitch City represent accrued vacation at June 30, 2005, in the amount of \$17,411. The following is a statement of changes in compensated absences:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Compensated Absences	<u>16,871</u>	<u>540</u>	<u>-</u>	<u>17,411</u>

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 8 - CLASS "C" ROADS

The following is a statement of receipts and disbursements in Class "C" Roads:

Balance - Beginning of Year		22,000
Receipts:		
State of Utah	64,450	
Interest	<u>650</u>	
Total Receipts		65,100
Disbursements		<u>(87,100)</u>
Balance - End of Year		<u><u>-</u></u>

NOTE 9 - FIRE PROTECTION AGREEMENT

On April 21, 1981, Panguitch City entered into an agreement with Garfield County to provide fire protection for the County. The area of coverage includes all areas within Panguitch City and within the Panguitch Cemetery District. The City has agreed to account to the County annually as to the disposition of the County funds paid by them. For the remainder of the agreement, the City will be paid in accordance with the one mill plan adopted by the Garfield County Commission, but with a minimum annual guarantee of \$6,000.

NOTE 10 - STATE RETIREMENT PLANS

Local Governmental - Cost Sharing:

Plan Description:

Panguitch City contributes to the Local Governmental Noncontributory Retirement Systems cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

PANGUITCH CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 10 - STATE RETIREMENT PLANS (CONTINUED)

Funding Policy:

Panguitch City is required to contribute a percent of covered salary to the following system; 11.09% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Panguitch City contributions to the various systems for the years ending June 30, 2005, 2004 and 2003 respectively were; for the Noncontributory System, \$21,303.92, \$15,786.44 and \$12,319.44. The contributions were equal to the required contributions for each year.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Utah Local Governments Trust. The insurance coverage's are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker.

Liability:

The City is insured for \$2,000,000 combined single limit with a \$500 deductible per occurrence for Comprehensive General Liability. Bodily injury, personal injury, property damage, public officials errors and omissions coverage \$2,000,000 aggregate each policy period with a \$500 deductible each accident.

Automobile Liability:

The City is insured for automobile bodily injury for \$2,000,000 combined single limit per accident with a \$250 deductible each accident. Property damage \$1,000,000 aggregate each policy period. The coverage also covers uninsured motorist \$50,000 each accident and \$50,000 each policy period.

Property:

All property coverage is insured through a commercial insurance carrier. Buildings and equipment are covered based on appraised value with 80% coinsurance subject to a \$1,000 deductible.

Airport Liability:

The City has airport liability insurance of \$1,000,000 through Old Republic Insurance Company.

Workers Compensation:

This coverage is provided through the Utah Local Government Trust.

The City has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**PANGUITCH CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Budgetary Fund Balance, July 1, 2004	<u>277,956</u>	<u>277,956</u>	<u>277,956</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	125,000	125,000	121,601	(3,399)
Prior Years Taxes	10,000	10,000	5,765	(4,235)
General Sales and Use Taxes	165,000	190,000	190,269	269
Telecommunications Tax	-	16,000	16,033	33
Resort Tax	130,000	130,000	124,876	(5,124)
Franchise Taxes	37,000	40,000	42,757	2,757
Fee-In-Lieu	<u>18,000</u>	<u>21,000</u>	<u>30,635</u>	<u>9,635</u>
Total Taxes	<u>485,000</u>	<u>532,000</u>	<u>531,936</u>	<u>(64)</u>
Licenses and Permits	<u>5,000</u>	<u>5,000</u>	<u>4,363</u>	<u>(637)</u>
Intergovernmental Revenue:				
Class C Road	77,000	77,000	64,450	(12,550)
Federal Grants	1,291,000	1,230,000	1,153,475	(76,525)
State Liquor Allotment	3,000	3,000	3,594	594
State Grants	1,500	2,500	58,666	56,166
County Triple C Contribution	-	32,300	66,544	34,244
County Fire Contract	<u>9,900</u>	<u>9,900</u>	<u>11,151</u>	<u>1,251</u>
Total Intergovernmental Revenue	<u>1,382,400</u>	<u>1,354,700</u>	<u>1,357,880</u>	<u>3,180</u>
Fines	<u>45,000</u>	<u>50,000</u>	<u>48,574</u>	<u>(1,426)</u>
Charges for Services:				
Multi Purpose Center	110,000	110,000	161,584	51,584
Recreation Fees	<u>5,500</u>	<u>5,500</u>	<u>8,458</u>	<u>2,958</u>
Total Charges for Services	<u>115,500</u>	<u>115,500</u>	<u>170,042</u>	<u>54,542</u>

PANGUITCH CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows) Continued:				
Miscellaneous Revenues:				
Interest	5,000	10,000	11,557	1,557
Rents and Concessions	16,000	22,000	22,146	146
Sale of Real Property	4,000	20,000	19,540	(460)
Miscellaneous	11,000	11,000	11,087	87
Use of Fund Balance	<u>117,251</u>	<u>238,551</u>	<u>-</u>	<u>(238,551)</u>
Total Miscellaneous Revenue	<u>153,251</u>	<u>301,551</u>	<u>64,330</u>	<u>(237,221)</u>
Amounts Available for Appropriation	<u>2,464,107</u>	<u>2,636,707</u>	<u>2,455,081</u>	<u>(181,626)</u>
Charges to Appropriations (Outflows):				
General Government:				
Legislative	15,996	17,996	16,280	1,716
Judicial	9,940	11,940	11,018	922
Administration	79,944	114,944	109,489	5,455
Building and Grounds	<u>43,100</u>	<u>54,200</u>	<u>52,741</u>	<u>1,459</u>
Total General Government	<u>148,980</u>	<u>199,080</u>	<u>189,528</u>	<u>9,552</u>
Public Safety:				
Police	103,000	103,000	101,970	1,030
Fire	35,155	80,155	75,851	4,304
Building Inspector	4,650	4,650	4,274	376
Animal Control	<u>1,100</u>	<u>1,100</u>	<u>802</u>	<u>298</u>
Total Public Safety	<u>143,905</u>	<u>188,905</u>	<u>182,897</u>	<u>6,008</u>
Highways and Streets:				
Construction and Maintenance	110,000	110,000	109,909	91
Class C Roads	<u>74,284</u>	<u>91,284</u>	<u>87,100</u>	<u>4,184</u>
Total Highways and Public Improvements	<u>184,284</u>	<u>201,284</u>	<u>197,009</u>	<u>4,275</u>

Continued

**PANGUITCH CITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows) Continued:				
Landfill	<u>8,500</u>	<u>7,000</u>	<u>7,853</u>	<u>(853)</u>
Culture and Recreation:				
Parks and Recreation	88,512	88,512	88,850	(338)
Multi-Purpose Center	180,204	285,204	311,208	(26,004)
Library	<u>52,016</u>	<u>60,016</u>	<u>57,320</u>	<u>2,696</u>
Total Culture and Recreation	<u>320,732</u>	<u>433,732</u>	<u>457,378</u>	<u>(23,646)</u>
Miscellaneous:				
Airport	1,322,000	1,282,000	1,226,167	55,833
Economic Development	31,750	46,750	42,536	4,214
Bond Principal	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Miscellaneous	<u>1,379,750</u>	<u>1,328,750</u>	<u>1,268,703</u>	<u>60,047</u>
Total Charges to Appropriations	<u>2,186,151</u>	<u>2,358,751</u>	<u>2,303,368</u>	<u>55,383</u>
Budgetary Fund Balance - June 30, 2005	<u>277,956</u>	<u>277,956</u>	<u>151,713</u>	<u>(126,243)</u>

PANGUITCH CITY
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
Sources/Inflows and Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	2,455,081
Differences - Budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(277,956)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>2,177,125</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules.	2,303,368
Differences - Budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting pruposes.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>2,303,368</u></u>

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is used to assist in formatting, for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
Panguitch City
Panguitch, Utah 84759

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Panguitch City as and for the year ended June 30, 2005, which collectively comprise Panguitch City's basic financial statements and have issued our report thereon dated September 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Panguitch City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Panguitch City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Panguitch City in a separate letter dated September 9, 2005.

Honorable Mayor and City Council
Panguitch City
Page -2-

This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 9, 2005
Richfield, Utah

Kimball & Roberts

Certified Public Accountants
A Professional Corporation

Box 663
Richfield, Utah 84701
Phone 896-6488

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and City Council
Panguitch City
Panguitch, Utah 84759

Compliance

We have audited the compliance of Panguitch City with the types of compliance requirements described in the *U. S. Office of Management of and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Panguitch City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Panguitch City's management. Our responsibility is to express an opinion on Panguitch City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Panguitch City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Panguitch City's compliance with those requirements.

In our opinion, Panguitch City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Panguitch City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Panguitch City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Honorable Mayor and City Council
Panguitch City
Page -2-

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 9, 2005
Richfield, Utah

PANGUITCH CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a unqualified opinion on the financial statements of Panguitch City.
2. No reportable conditions relating to the audit of the financial statements are reported in the Auditor's report on Internal Control and Compliance With Laws and Regulations.
3. No instances of noncompliance material to the financial statements of Panguitch City were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Panguitch City expresses an unqualified opinion.
6. There were no findings relative to the major federal award program for Panguitch City.
7. The program tested as a major program is: Department of Transportation, Airport Improvement Grant, CFDA 20.106.
8. The threshold for distinguishing Type A programs is the larger of \$300,000.
9. Panguitch City is a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

**PANGUITCH CITY
SCHEDULE OF FEDERAL AWARDS EXPENDED**

For The Fiscal Year Ended June 30, 2005

	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Amount of Expenditures</u>
DIRECT ASSISTANCE			
Federal Emergency Management Agency:			
Assistance to Firefighters Grant	83.554	EWM-2004-FG-10809	<u>37,166</u>
Total Federal Emergency Management Agency			<u>37,166</u>
TOTAL DIRECT ASSISTANCE			<u>37,166</u>
INDIRECT ASSISTANCE			
Department of Transportation:			
Passed Through Utah Department of Transportation:			
Airport Improvement Program	20.106	3-49-0025-05	42,633
Airport Improvement Program	20.106	3-49-0025-06	<u>979,281</u>
Total Department of Transportation			<u>1,021,914</u>
Environmental Protection Agency:			
Passed Through Utah Drinking Water Board:			
Capitalization Grants for Drinking Water - State Revolving Fund	66.468	N/A	<u>44,306</u>
Total Environmental Protection Agency			<u>44,306</u>
TOTAL INDIRECT ASSISTANCE			<u>1,066,220</u>
TOTAL FEDERAL AWARDS EXPENDED			<u><u>1,103,386</u></u>

**PANGUITCH CITY
SCHEDULE OF FEDERAL AWARDS EXPENDED**

For The Fiscal Year Ended June 30, 2005

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDED

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

General:

The accompanying Schedule of Federal Awards Expended presents the activity of all federal financial assistance programs of Panguitch City. The reporting entity, Panguitch City, is defined in Note 1 to Panguitch City's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included in the Schedule of Federal Awards Expended.

Basis of Accounting:

The accompanying Schedule of Federal Awards Expended is presented using the accrual basis of accounting for assistance received by proprietary fund types and modified accrual basis of accounting for assistance received for governmental fund types, which is described in Note 1 to Panguitch City's basic financial statements.

**PANGUITCH CITY
SCHEDULE OF PRIOR AUDIT FINDINGS**

For The Fiscal Year Ended June 30, 2005

There were no prior audit findings.

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

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AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council
Panguitch City
Panguitch, Utah 84759

We have audited the financial statements of Panguitch City, for the fiscal year ended June 30, 2005, and have issued our report thereon dated September 9, 2005. As part of our audit, we have audited Panguitch City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

- C Road Funds (Department of Transportation)
- Liquor Law Enforcement (State Tax Commission)
- Airport Grant (Department of Transportation)

The City also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Panguitch City's financial statements.)

- Computer Grant (Department of Public Safety)
- Library Grant (Department of Community and Economic Development)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Other Compliance Requirements

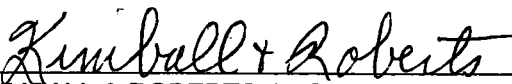
The management of Panguitch City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

Honorable Mayor and City Council
Panguitch City
Page -2-

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Panguitch City, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2005.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 9, 2005
Richfield, Utah

**PANGUITCH CITY
MANAGEMENT LETTER
JUNE 30, 2005**

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

FINDINGS AND RECOMMENDATIONS

Honorable Mayor and City Council
Panguitch City
Panguitch, Utah 84759

During our audit of the funds of Panguitch City for the fiscal year ended June 30, 2005, we noted an area needing corrective action in order for the City to be in compliance with state laws and regulations. We also noted certain circumstances that, if improved, would strengthen the City's accounting system and control over its assets. These items are discussed below for your consideration.

COMPLIANCE:

Budgetary Compliance

State law states that officers and employees of an entity cannot incur expenditures in excess of the total appropriation for any department or fund.

Finding:

During our audit we noted that the City's expenditures in Landfill and Culture and Recreation departments exceeded the adopted budget amounts.

Recommendation:

We recommend that when expenditures are estimated to exceed the total budget for any department a public hearing be held to open the budget and increase revenues in an amount sufficient to cover the anticipated expenditures.

Response:

The City will monitor the budget closer in the future and open the budget when additional revenues are received and expenditures are to be made.

Justice Courts - Deposits

The 1993 Legislature amended Utah Code Section 51-42-2 to require that all receipts be deposited daily when practicable but not later than three days after receipt.

Finding:

During our tests of deposits from the Justice Court we noted that some of the receipts are not being deposited within three days of receipt as required by State Law.

Recommendation:

We recommend that all receipts in the Justice Court be deposited within three days of receipt as required by State Law.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Justice Courts – Form C-500

State law requires that funds collected by the Justice Court be distributed to the State and other governmental entities on Form C-500 by the 10th of the month following collection.

Finding:

We noted during the audit that eleven out of twelve of these Form C-500 reports were filed after the 10th of the month following collection.

Recommendation:

We recommend that the monthly Form C-500 report with the surcharges be sent to the State Treasurer so that they are received by the 10th of the month following collection.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Property Tax

Finding:

We noted that the budgeted property tax revenue shown on the Tax Rate Summary Report 693 was \$118,850. The budgeted revenue on the City's budget was \$125,000. This is more current tax than can be collected during the year. This can lead to expenditures being budgeted and expended that may exceed the revenues collected.

Recommendation:

We recommend that the City only budget the amount shown on the Tax Rate Summary Report 693. If this report is received after the budget is adopted, the City should revise its budget to reflect the proper amount.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

INTERNAL CONTROL:

General Ledger

Finding:

During the course of our audit we found that some postings to the general ledger were not properly classified.

Recommendation:

We recommend that the entries to the general ledger be properly coded and that someone other than those doing the posting review the general ledger to insure that all postings have been properly recorded. This should be done on a monthly basis.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Cash

Finding:

Our audit of cash revealed that a bank account had been opened for the Triple C Arena but the transactions had not been recorded in the general ledger.

Recommendation:

We recommend that all expenditures be properly approved and all transactions be recorded in the general ledger.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Accounts Payable

Finding:

During our audit of accounts payable we found that the detail listing of accounts payable did not agree with the general ledger balance.

Recommendation:

We recommend that the detail listing of accounts payable by name be reconciled to the general ledger on monthly basis.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Payroll

Finding:

Our audit of payroll revealed that during September of 2004 and February of 2005 the payroll was posted twice to the general ledger.

Recommendation:

We recommend that the general ledger be reviewed on a monthly basis to insure that all postings and classifications are correct. The general ledger liabilities should be reviewed monthly to insure that the detail agrees with the general ledger.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Late Fees

Finding:

During our audit of expenditures we noted that late fees of \$1,400 had been charged on bond payments that were paid late in the prior year.

Recommendation:

We recommend that invoices be carefully reviewed to insure payment is made on a timely basis to avoid all late fees and penalties.

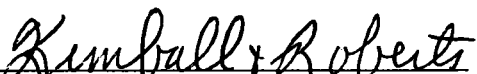
Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Honorable Mayor and City Council
Panguitch City
Page -5-

We would like to take this opportunity to thank Panguitch City's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 9, 2005
Richfield, Utah